

NCA
VOC FOR PGM/FN
BACKGROUNDER NO. 5-5868
VERA HIRSCHBERG

MAY 30, 1978

THIRD WORLD OIL: A NEW FRONTIER

ANNCR:

IN AN EFFORT TO SPUR THE SEARCH FOR OIL IN LESS DEVELOPED COUNTRIES, THE WORLD BANK HAS ANNOUNCED A BROAD PROGRAM OF LOANS AND TECHNICAL ASSISTANCE. THE PROGRAM IS EXPECTED TO MORE THAN TRIPLE THIRD WORLD OIL PRODUCTION BY 1990.... AS WE HEAR IN THIS BACKGROUND REPORT BY VOA'S VERA HIRSCHBERG.

VOICE:

IN A PROGRAM DESIGNED TO EASE THE FINANCIAL STRAINS OF SOME 50 TO 60 LESS DEVELOPED NATIONS, THE WORLD BANK LAST WEEK UNVEILED PLANS TO ALLOT UP TO FIVE HUNDRED MILLION DOLLARS A YEAR TO THIRD WORLD NATIONS TO HELP THEM BECOME SELF-SUFFICIENT OIL PRODUCERS OVER THE NEXT DECADE. THE LESS DEVELOPED COUNTRIES NOW IMPORT UP TO 80 PERCENT OF THEIR OIL AT THE OPEC PRICE OF THIRTEEN DOLLARS A BARREL AND IMPORT ABOUT TWO MILLION BARRELS A DAY FROM OPEC PRODUCERS.

ACCORDING TO WORLD BANK PROJECTIONS, THE NEW PROGRAM OF LOANS AND TECHNICAL ASSISTANCE WILL HELP THE THIRD WORLD NATIONS INCREASE THEIR PRESENT OIL PRODUCTIONS LEVELS OF ALMOST FOUR MILLION BARRELS A DAY TO EIGHT AND ONE-HALF MILLION BARRELS BY 1985 AND TO ALMOST TEN AND ONE HALF MILLION BY 1990. THE BANK BELIEVES THAT BY 1990, SOME OF THE NATIONS IN THE PROGRAM EVEN WILL BE EXPORTING THEIR OIL SURPLUSES.

WORLD BANK OFFICIALS SEE THE PROGRAM AS SO-CALLED "SEED MONEY" THAT WILL GENERATE UP TO FOUR THOUSAND MILLION DOLLARS IN NEW CAPITAL INVESTMENTS IN THIRD WORLD OIL DEVELOPMENT. THE BANK ALREADY HAS FINANCED AN OFF-SHORE OIL DEVELOPMENT PROJECT IN INDIA,

AND UNDER THE NEW PROGRAM IS VIEWING POTENTIAL PROJECTS IN BANGLADESH, PAKISTAN, TURKEY, THAILAND, SYRIA, TUNISIA, EGYPT, LIBERIA, ARGENTINA, COLOMBIA, CHAD, BOLIVIA AND OTHER NATIONS. THE BANK RECOGNIZES THE NEED FOR THE POORER NATIONS TO DEVELOP THEIR OWN ENERGY RESOURCE IN VIEW OF THE QUINTIPLING OF OIL PRICES SINCE 1973. AT THE SAME TIME, NEW STUDIES INDICATE THAT AREAS PREVIOUSLY IGNORED FOR DEVELOPMENT IN THE POORER NATIONS HAVE TWO TO THREE TIMES MORE POTENTIAL FOR OIL DISCOVERIES THAN PREVIOUSLY BELIEVED.

A STUDY BY BERNARDO GROSSLING OF THE UNITED STATES GEOLOGICAL SURVEY REJECTS THE THEORY THAT THE REASON THERE WAS LITTLE DRILLING ACTIVITY IN LESS DEVELOPED COUNTRIES IN THE PAST WAS THAT THERE WAS NO OIL TO BE FOUND. MR. GROSSLING, IN FACT, FOUND THAT IN PREVIOUS YEARS, WHEN DRILLING DID TAKE PLACE IN SOME UNDERDEVELOPED COUNTRIES OF AFRICA AND LATIN AMERICA, MORE OIL WAS DISCOVERED PER SQUARE HECTARE THAN IN THE UNITED STATES OR WESTERN EUROPE. HOWEVER, HE NOTES, IN RECENT YEARS ONLY ABOUT FOUR PERCENT OF THE WORLD'S EXPLORATORY DRILLING HAS TAKEN PLACE IN DEVELOPING NATIONS.

BEFORE THE OPEC OIL EMBARGO, MAJOR MULTINATIONAL OIL CORPORATIONS SPENT LESS THAN SEVEN PERCENT OF THEIR EXPLORATION CAPITAL IN NON-OPEC DEVELOPING NATIONS. ALTHOUGH THAT PERCENTAGE HAS SINCE RISEN SOME, WORLD BANK OFFICIALS HOPE THEIR NEW PROGRAM WILL STIMULATE CORPORATIONS TO SPEND STILL MORE IN THESE AREAS. THEY ALSO BELIEVE THAT WITH WORLD BANK BACKING, THE DEVELOPING NATIONS THEMSELVES WILL BE BETTER ABLE TO ASSEMBLE FINANCING FROM OTHER INTERNATIONAL LENDING INSTITUTIONS AND PRIVATE INVESTORS TO PROBE PROSPECTIVE OIL SITES.